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March 15, 2010

The Honorable Christopher J. Dodd
United States Senator
448 Russell Senate Office Building
Washington, DC 20510

VIA FACSIMILIE
202-224-1083

Re: Financial Regulatory Reform Efforts

Dear Senator Dodd:

Last week I met with some of your colleagues on the Senate Banking Committee to discuss how important meaningful financial regulatory reform is to investors across the country. As Missouri's Secretary of State and chief securities regulator, I know that improved investor protection is crucial to repairing and stabilizing our economy.

More than 18 months have passed since the financial crisis began, and taxpayers here in Missouri and across the country are bewildered by the fact that special interests have succeeded in delaying and thwarting the real reforms and consumer protections that our families deserve, and our country needs, to recover from this economic downturn.

The time has come for each senator to make a choice about whether to stand on the side of big banks and financial institutions, or on the side of families and small businesses. I believe the choice is clear, and urge you to reject the self-serving backroom dealings of special interests, and embrace expanded protections for everyday Americans.

I'd like to bring three specific matters to your attention that are necessary to help state regulators do their job to protect consumers.

1. In order to protect consumers and taxpayers from the worst Wall Street abuses and from another bailout, the important role state regulators play in the enforcement process must be understood and supported. As the "local cops on the beat" who protect investors and crack down on financial institutions who fail to play by the rules, state regulators play a pivotal role in policing the financial system. Any reform measures must protect that role from efforts to erode or pre-empt state enforcement power.

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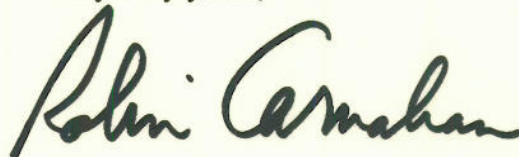
2. To adequately protect investors, meaningful reform must include a fiduciary duty for brokers offering investment advice. This would require brokers offering investment advice to act in their clients' best interests and in a manner that is free from conflicts and self-dealing. This commonsense step should be adopted immediately without further study or delay. Likewise, it's important to demand fairness for aggrieved investors and disallow mandatory provisions in broker agreements that require industry-run arbitration to resolve disputes. Anything less denies consumers important protections they deserve.
3. Meaningful reform also must restore state regulators' ability to proactively review and screen Reg D offerings, and expand state regulators' authority to proactively oversee the investment advisers operating in their states. In the past decade, too many scam artists have used the exemption to avoid regulation and sell fraudulent securities to Missouri investors. Without the authority to review these investments, the hands of state regulators are tied until something goes wrong...even when regulators have cause for concern before the fact.

During the past several years, while many federal regulators were either missing in action or focused on other issues, state regulators acted first to protect consumers in the auction rate securities meltdown and the Wall Street research analyst conflicts of interest cases. States also led the fight against illegal mutual fund trading practices and abusive sales strategies targeting seniors. My office alone has recouped over \$10 billion in restitution and relief for thousands of investors in the past few years, and our colleagues in other states have similar success stories.

State regulators have proven to be best equipped to respond to the needs of the consumers in our states, so restoring and enhancing states' ability to perform these duties and protect investors will result in some of the most significant financial reform in generations.

Strong financial reform isn't just the right thing to do to ensure we curb the abuses of big banks and Wall Street, it is absolutely essential to the economic health of our nation's families and small businesses. I hope you will join me in recognizing the importance of these issues, and will act swiftly to satisfy taxpayers' demand for meaningful reform and improved protections.

Very truly yours,

A handwritten signature in black ink, reading "Robin Carnahan". The signature is fluid and cursive, with the first name "Robin" and last name "Carnahan" clearly distinguishable.

Robin Carnahan
Secretary of State